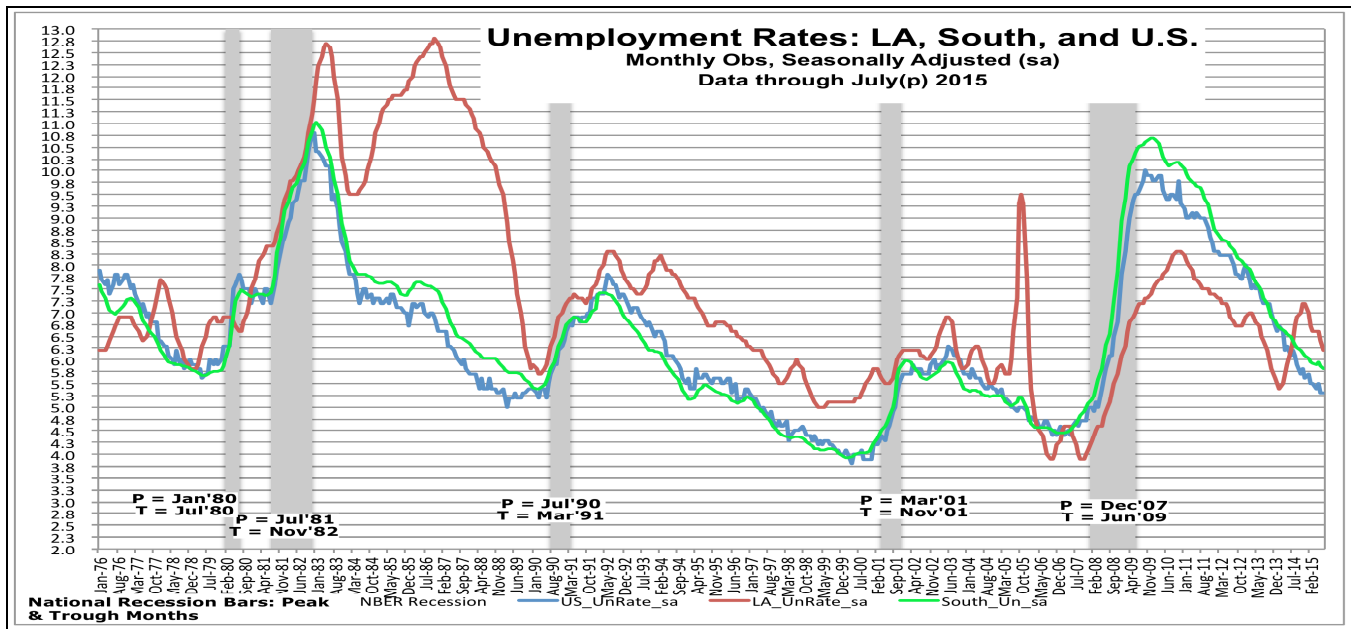


Louisiana Relative Unemployment Rates



One of the most referenced metrics of economic performance at the both the national and state levels is the unemployment rate. This metric is the ratio of individuals reporting that they are unemployed but seeking employment to the number of individuals in the civilian labor force, both employed and seeking employment. The chart above displays a long-term historical record of the unemployment rate for Louisiana, the South¹, and the national economy as a whole. While the performance of Louisiana over much of the last several years has been quite good relative to the South and the nation as a whole, for all practical purposes this performance has been entirely a phenomenon of the post-hurricane Katrina & Rita period, beginning immediately after the storms and continuing into mid-2014. This performance is not disconnected from the overall economic business cycle, though, as evidenced by the sharp rise associated with the 2008-2009 recession and fairly steady decline as the economic recovery took hold around the start of 2010.

Prior to the post-Katrina/Rita period the Louisiana unemployment rate had essentially always exceeded the rates for the South and the nation, while generally following the national business cycle in a comparable fashion. Two standout exceptions to this pattern are easily identified in the chart above. The first is the mid-1980s oil bust when the state rate rose sharply and stayed far above the rates of the South and the nation as we experienced our own oil-based recession while falling energy prices benefited the rest of the nation; reflected in falling unemployment rates. The second is the spike up in the state rate in the immediate aftermath of hurricanes Katrina & Rita in 2005. For much of the time since then the state rate has been lower than the South and the nation even as all three rates rose during the recession and have fallen during the recovery.

While the State's unemployment rate has been considerably lower than that of the South and the nation as a whole for almost the entire post-Katrina/Rita period, the headline concept itself has become less meaningful as an indicator of the state of the labor market and the health of the economy in general than it has been in the past. During much of the recovery, beginning in late 2009 (U.S.) and early 2010 (LA) labor force participation exhibited a distinct decline, contributing to the decline in the headline unemployment rate². The declining unemployment rate was influenced by the fact that unemployed individuals ceased even looking for work rather than because unemployed individuals were able to find employment.

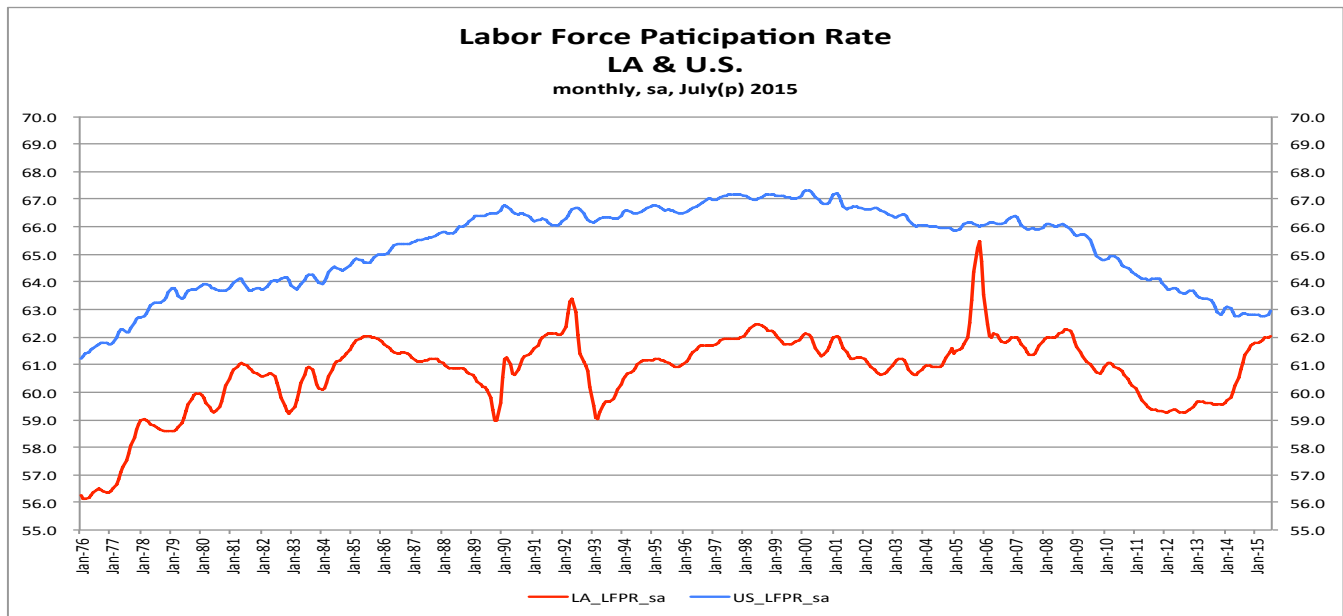
The State's reported unemployment rate climbed sharply through much of 2014. However, this may not have reflected labor market weakness so much as a sharp upturn in state labor force participation (shown on the following graph) as people re-enter the job market expecting to find employment. This is often considered a sign of increasing

¹ Here the south constitutes the U.S. Department of Labor, Bureau of Labor Statistics southeast region of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, plus the states of Arkansas and Louisiana.

² For any given number of individuals that leave the labor force, a greater proportional reduction to the number of unemployed occurs (the numerator) than the proportional reduction that occurs to the number of labor force participants (the denominator). Thus, the unemployment rate ratio declines.

Louisiana Relative Unemployment Rates

optimism concerning the job market and economy in general. These jobseekers appear to be finding employment, as evidenced by a declining state unemployment rate during 2015 even as the state labor force participation rate has continued to rise.



The chart above depicts labor force participation rates for the nation as a whole and for Louisiana³. Both the nation and the state of Louisiana have exhibited similar broad trends in labor force participation rates, with a modest downward trend beginning in the late-1990s, and accelerating distinctly as the recovery from the 2008-2009 recession began. When the state rate stopped declining it had materially stepped down from earlier periods. As a result, the headline unemployment rate for the state was less meaningful as an indicator of the state of the labor market and the health of the economy in general than it has been in the past, as is the case with the headline unemployment rate of the nation as a whole. As the state participation rate has risen distinctly since early 2014, the state unemployment rate worsened through much of 2014 before beginning another downtrend during 2015. Until the participation rate stabilizes, the unemployment rate will continue to be less meaningful as an economic indicator.

In addition, state level unemployment rates are less reliable than the same concept at the national level due to the relatively small sample sizes at the state level⁴. Their absolute level in any particular month can have considerable uncertainty associated with it. However, some confidence in the state economy can be taken from the fact that, until the second half of 2014, the Louisiana unemployment rate has exhibited a consistently lower level than the South and the nation for every month since 2006. This may reflect structural changes in the economy, the labor market, and the labor force in the aftermath of the natural disasters of hurricanes Katrina and Rita in 2005.

Relying on unemployment rates as an indicator of economic health, even in the post-storm era has its cautions though. Broader measures of unemployment evidence the weakness of the headline rate as an indicator at both the national and state levels. The broadest measure of unemployment⁵ is reported for the nation at 10.4% as of July 2015. Being a broader measure it is always going to be higher than narrower measures. However, what is significant is that this current rate is still about 27% higher than its low point of 8.2% for 2006 before the 08/09 recession. At the state level, this broad measure is reported on a 4-quarter moving average basis in order to increase its reliability. For the annual period through the second quarter of 2015, the broad rate reported for Louisiana was 11.9%. A broad state rate that is still some 65% higher than the average for 2007 of 7.2%, the pre-recession low point for Louisiana.

³ Monthly participation rates are estimated by Moody's Analytics based on the household employment survey of the Bureau of Labor Statistics of the U.S. Department of Labor.

⁴ Other data and statistical modeling are combined with survey data to arrive at the monthly reported state rates.

⁵ The broadest measure of unemployment is referred to as U6, and is calculated as the total number of unemployed in the traditional measure (called U3) plus all marginally attached workers, plus total employed part-time for economic reasons (they would rather have a full-time job), all as a percent of the civilian labor force plus all marginally attached workers.

Louisiana Relative Unemployment Rates

Until late-2014, the state's headline unemployment rate had been indicating that the state has experienced a stronger economic recovery than the South or the nation as a whole. However, the unemployment rate as an indicator of economic conditions is fairly unreliable at the state level in general and has become less reliable in this recovery. What its relative position may be primarily telling us now is that the Louisiana economy is markedly different since the hurricanes of 2005.